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SUBJECT: KUWAIT CUSTOMS AND CHAMBER OF COMMERCE DISCUSS  
KUWAIT-IRAQ TRADE AND BORDER ISSUES

REF: KUWAIT 1706

Classified By: CDA Alan Misenheimer for reasons 1.4 (b) and (d).

11. (C/NF) Summary: In a December 4 meeting with Embassy Baghdad Econcouns and Embassy Kuwait econ and customs officers, DG of Kuwait Customs Ibraheem Al-Ghanim said that continuing concerns over the smuggling of contraband into Kuwait from Iraq and corruption and mismanagement on the part of Iraqi border officials currently make it impossible for the GOK to open the border to Iraqi commercial exports. While acknowledging the need for the expansion of trade across the Kuwait-Iraq border to reduce Iranian influence (particularly in southern Iraq) and promote economic development and stability, Al-Ghanim said there would first have to be more coordination and confidence building between Iraqi and Kuwaiti customs and border officials. (Note: The fact that the DG was an Iraqi prisoner during the 1990-91 occupation of Kuwait may also play a significant role in his reluctance to open the border to Iraqi goods.) In a separate meeting with KCCI Deputy General Manager Rabah Al-Rabah Baghdad Econcouns discussed the need for greater cooperation between Iraqi and Kuwaiti business groups to improve business relations between the two countries. Rabah cited security concerns and, to a lesser extent, the frequent turnover of Iraqi government officials and Chamber of Commerce officers as obstacles to doing business in Iraq. Baghdad Econcouns offered to facilitate direct coordination between Al-Ghanim and Al-Rabah and their Iraqi counterparts. End Summary.

12. (C/NF) Embassy Baghdad Econcouns visited Kuwait December 3-4 in conjunction with a visit by MNF-I Deputy Commander LTG William Rollo to discuss security and trade issues between Iraq and Kuwait (Ref A). Following up on a letter sent by the CDA to the DG of Kuwait Customs on November 27 (text in para 7), Baghdad Econcouns and Embassy Kuwait econoffs met with the DG of Kuwait Customs on December 4 to discuss restrictions on Iraqi commercial exports to Kuwait. Al-Ghanim acknowledged that greater Iraq-Kuwait trade would be beneficial for both countries since it would promote economic development in Iraq, reduce the risk of the spillover of instability into Kuwait, and reduce the spread of Iranian influence. He lamented, however, that due to rampant corruption and lawlessness on the Iraqi side of the commercial border at Safwan-Abdally, the only commercial border crossing between Iraq and Kuwait, Kuwaiti customs officials are constantly confronted with illegal drugs, alcohol, weapons and other contraband smuggled in from Iraq. He claimed that Iraqi authorities have actually complained that Kuwait is allowing stolen Iraqi property to be smuggled into Kuwait. Al-Ghanim said that although he wants to eventually open the border when conditions on the Iraqi side improve, for now tight restrictions are necessary to combat the smuggling of illegal goods into Kuwait. He added that

check-points and customs depots on the Iraqi side are controlled by corrupt officials and militant groups.

13. (C/NF) Al-Ghanim insisted that before restrictions on Iraqi commercial exports can be eased, GOK and GOI Customs officials will need to collaborate to create effective mechanisms to combat illegal trade across the border. Frequent turnover in GOI ministries and offices makes it difficult for GOK officials to establish enduring relationships and trust with the GOI, let alone work on collaborative projects, he complained. Baghdad Econcouns assured the DG that he will work with the GOI to facilitate dialogue between Kuwait Customs and relevant authorities in GOI.

14. (SBU) In a separate meeting with Kuwait Chamber of Commerce and Industry, Baghdad Econcouns noted the positive role Kuwaiti investment is playing in Iraq, highlighting the recent purchase of the Baghdad-based mobile phone operator IRAQNA by Kuwait-based Zain. But he and econoffs emphasized the need for greater commercial, especially merchant-to-merchant, cooperation between Kuwait and Iraq. KCCI Deputy GM Rabah Al-Rabah agreed, saying, "Kuwait should be the port of Iraq." He said the Chamber was eager to engage in activities with Iraqi business leaders but its members remain deeply concerned about the security situation in Iraq. Most members of the Chamber, he confessed, have a wait-and-see approach to dealing with Iraq. Improved security and stability in Iraq is still new and fragile, keeping many Kuwaiti business leaders from fully engaging in investment or trade opportunities in Iraq, he said. He added that more Chamber events with Iraqi business leaders on a regular basis would be necessary to establish stronger relationships between Kuwaiti and Iraqi business leaders.

KUWAIT 00001720 002 OF 002

Al-Rabah said he looked forward to hosting Iraqi business delegations on a frequent and regular basis to facilitate commercial deals between Iraqi and Kuwaiti businesses.

15. (SBU) Al-Rabah bemoaned the constant turnover of key players in the various Iraqi Chambers as a significant barrier to establishing long-term relationships with Iraqi business groups. He said KCCI often struggles to identify the right candidates to invite to Kuwait to discuss trade within a given sector. The issuance of business visas is also problematic. KCCI vets visa applications for business delegations before sending them to the Ministry of Interior for final background checks and approval. Difficulty in communicating with Iraqi Chamber officials makes it harder for KCCI to verify the credibility of Iraqi business visa applicants. Baghdad Econcouns offered to help KCCI to identify appropriate Iraqi businessmen on a case-by-case basis and to facilitate further cooperation between KCCI and the major business associations and chambers in Iraq.

16. (C) Comment: The welcome visit to Kuwait by Baghdad Econcouns elicited further clarity, especially from the GOK Customs Director, on the elusive question of why bilateral Iraq-Kuwait trade remains so low. While al-Ghanim's remarks are credible, from other relevant GOK interlocutors we hear a wide range of other explanations -- from "there is no impediment," to "Iraqi foodstuffs fail to meet Kuwaiti health standards" (e.g. wormy dates and moldy tomatoes) and "a high level political decision bans Iraqi goods from the Kuwaiti market." We will continue to press with all levels of the GOK. End Comment.

17. (SBU) Text of November 27 letter from CDA to Customs Director Al-Ghanim:

Please allow me to convey the United States Government's concern regarding reports of restrictions on Iraqi imports to Kuwait and seek your assistance in understanding the kinds of controls that are being placed on Iraqi commercial goods. I would be grateful if you could describe specifically what

types of Iraqi goods are currently being prevented from entering Kuwait and explain the basis for banning such goods.

I would also like to encourage you to allow broader access to Iraqi commercial goods to the Kuwaiti market in order to expand bilateral trade between the two countries. This will help integrate Iraq into the regional economy, promote stability in Iraq and the region, and strengthen Kuwait's relationship with Iraq. Further trade with Iraq would benefit both Kuwaiti consumers, who would enjoy access to a wider variety of products, and Kuwaiti businessmen, who could take advantage of greater trade opportunities and better access to Iraqi suppliers.

We at the Embassy, with the help of our colleagues in our Embassy in Baghdad and provincial offices throughout Iraq, are eager to facilitate more interaction between Kuwaiti and Iraqi businesses to the benefit of businessmen and consumers on both sides of the border.

I look forward to your response and to the opportunity to work with you to renew and broaden the important trade relationship between Iraq and Kuwait.

18. (U) This cable was cleared by Embassy Baghdad Econcouns.

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